GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA

STARRED QUESTION NO:119
ANSWERED ON:08.12.2004
OUTSOURCING MARKET IN INDIA
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Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) Whether outsourcing is a big market for India;

(b) the turnover of outsourcing market in India, at present;

(c) the number of companies engaged in outsourcing business in India;

(d) whether the Indian companies engaged in outsourcing are not big enough to compete with the international companies in this field;

(e) whether the Goverrment proposes to encourage Indian Companies to grow like International Companies; and

(f) if so, the details thereof and if not, the reasons therefor?

Answer

MINISTER OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (DAYANIDHI MARAN)

(a) to (f): A Statement is laid on the Table of the Lok Sabha.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO 119 FOR 08.12.2004 REGARDING OUTSOURCING MARKET IN INDIA

(a): Yes, Sir.

(b): The turnover of outsourcing market in India of the Information Technology industry is US$ 12.5 billion during 2003-2004.

(c): As per the database maintained by National Association of Software and Service Companies (NASSCOM), approximately 3000 companies are engaged in outsourcing business in India.

(d): No, Sir.

(e): Yes, Sir.

(f): Details of the steps taken by the Government to promote export of IT software and services are given in Annexure.

ANNEXURE

STEPS TAKEN BY THE GOVERNMENT TO PROMOTE THE EXPORT OF IT SOFTWARE

1. Approvals for all foreign direct investment proposals relating to the Information Technology Sector, with the exception of Business-to-consumer (B2C) e-commerce are under the automatic route.

2. Peak rate of customs duty continues to be 20%. Customs duty on Computers and Peripherals is @ 10%. All storage devices, integrated circuits, microprocessors, data display tubes and deflection components of colour monitors continue at 0%. Customs duty on parts of computers and Switch Mode Power Supply (SMPS) has been fully exempted. Customs duty on Information Technology Agreement (ITA-1) bound items is asper commitments. Laptops brought as part of baggage are exempted from customs duty. Excise duty on computers reduced from 8% to 0%. Microprocessors, Hard Disc Drives, Floppy Disc Drives and CD ROM Drives continue to be exempt from excise duty.

3. Export Promotion Capital Goods scheme (EPCG) allows capital goods on payment of 5% customs duty. The Export Obligation under the scheme is linked to the duty saved and is 8 times the duty saved on capital goods imported, to be fulfilled over a period of 8 years.

- 100% depreciation is available to computers and computer peripherals over a period of 3 years for all types of electronic units under Export Oriented Units (EOU)/Software Technology Park (STP)/Special Economic Zone (SEZ) schemes.

- Information Technology Software is exempted from Customs and Excise Duty.

4. EOU and STP units are eligible for Income Tax exemption on export profits, upto 2010, in terms of Sections 10A and 10B of the Income Tax Act.

5. Benefit of Section HHE is available to supporting software developers.

6. Threshold limit for obtaining `Export House` status reduced to Rs.5 crores from Rs.15 crores for Small Scale Industry, tiny sector, cottage sector, units located in North East States/Sikkim/J&K; exporters exporting to countries in Latin America/CIS/Sub Sahara Africa and units having ISO 9000 (Series) status. The status holders are eligible for the following new/special facilities:

7. 100% retention of foreign exchange in Exchange Earners` Foreign Currency (EEFC) account;

8. Enhancement in normal repatriation period from 180 days to 360 days.

9. Income by way of dividends or long-term capital gains of a Venture Capital Fund (VCF) or Venture Capital company from investment made by way of equity shares in a Venture Capital Undertaking, which has been expanded to include the Software and IT sectors, will henceforth not be included in computing the total income. SEBI has been made the single point nodal agency for registration and regulation of both domestic and overseas venture capital funds.

10. Information Technology Act 2000 dealing with Cyber Security, Cyber Crime and other information security related legal aspects is in place to encourage expansion of e-commerce through internet.

11. Efforts are going on through negotiations as per General Agreement on Trade in Services (GATS) of World Trade Organisation (WTO) to secure increased access to the foreign markets and removal of trade barriers being faced by the Indian industry.